

Audit Committee

28 November 2022

Protecting the Public Purse – Update Activity Report as of 30 September 2022



Report of Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

Countywide.

Purpose of the Report

- 1 This report presents members of the Audit Committee with an update on activity relating to Protecting the Public Purse, providing members with and update on the work that has been carried out during the first six months of 2022/23.

Executive Summary

- 2 The report provides Members with the progress that has been made by the Corporate Fraud Team up to 30 September 2022. The report provides an update on:
 - (a) The work of the Corporate Fraud Team.
 - (b) Action taken to raise awareness of the risk of fraud and corruption to assist in embedding a strong counter fraud culture throughout the organisation.
 - (c) Reported cases of potential fraud reported during April to September 2022.
 - (d) Proactive Counter Fraud work undertaken
 - (e) Progress on the Northeast Fraud Hub Pilot
 - (f) Fraud Reporting.
 - (g) Fraud Training.

- 3 The appendices attached to this report are summarised below. Appendix 3 marked with an asterisk is not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).
- (a) Appendix 2 – Case load and values of fraud identified between April and September 2022.
 - (b) Appendix 3* – Cases of potential internal corporate fraud reported and ongoing investigations.

Recommendations

- 4 Members of the Audit Committee are asked to note the contents of the report including:
- (a) An overview of the work carried out by the Corporate Fraud Team;
 - (b) The work undertaken to develop the North East Fraud Hub, which is being progressed in line with the requirements of the Digital Economy Act 2017 (DEA); and.
 - (c) The updated statistics in terms of the number and values of fraudulent activity identified in 2022/23 as of 30 September 2022 (Appendix 2).

Background

- 5 The risk of fraud and corruption is recognised as a strategic risk within the Council's Corporate Strategic Risk Register.
- 6 The latest Counter Fraud and Corruption Strategy was agreed by Audit Committee in September 2022 and sets out a framework of how we respond to the threat and improve our counter fraud work in the 2020's
- 7 The Corporate Fraud Team is responsible for:
 - Developing, implementing, and promoting the Council's Counter Fraud and Corruption Strategy, raising awareness of the risk of fraud and corruption and advising on controls that will effectively manage the risk.
 - Acknowledging our Fraud Response and being pro-active in the prevention and identification of potential fraud and irregularity, with the overall aim to protect the Council, our assets, our employees, and the Community we serve.
 - Investigating cases of suspected fraud and overseeing that any investigations are completed in accordance with the Council's Fraud Response Plan and other Counter Fraud Policies.
- 8 The Audit Committee is responsible for monitoring the arrangements the Council has put in place to mitigate the risk of fraud and corruption by seeking assurance on their effectiveness.

Corporate Fraud Team

- 9 The Corporate Fraud Team continues to investigate both internal and external frauds, as well as assisting with a range of counter fraud activities and projects.
- 10 The work of the Corporate Fraud Team includes:
 - Investigating potential council tax reduction fraud.
 - Investigating potential single person discount fraud and other council tax frauds.
 - Investigating potential business rates fraud
 - Investigating potential employee fraud
 - Investigating potential fraud in schools
 - Investigating potential fraud and abuse of blue badges

- Investigating potential direct payments fraud
- Investigating potential insurance fraud
- Investigating grant fraud
- Investigating procurement fraud
- Investigating serious data breach cases where the Information Commissioners Office will be notified
- Coordinating and investigating reports from the National Fraud Initiative (NFI)
- Creating stronger partnership working and a multi-agency approach to tackle organised crime and fraud and corruption by having a member of the Corporate Fraud Team working alongside Durham Constabulary
- Working with Believe Housing, Gentoo Homes, and Livin Housing to investigate potential tenancy fraud
- Working with Karbon Homes, Livin Housing, Bernicia Homes and Gentoo Homes to investigate potential right to buy and right to acquire fraud and verification checks
- Membership of the National Anti-Fraud Network (NAFN), CIPFA Counter Fraud Centre and Northeast Fraud Forum (NEFF) attending round table events and forums to gain best practice
- Working with colleagues in People and Talent Management to review and support disciplinary investigations
- Working with colleagues in People and Talent Management and Corporate Complaints Unit to review employee complaints
- Single point of contact (SPOC) for housing benefit fraud for information sharing with the Department for Works and Pensions.
- Continuing to support the work of the Cabinet Office and the NFI with post Covid-19 assurance work.

Counter Fraud Awareness

11 A summary of the counter fraud awareness initiatives progressed during the period April to September 2022 are summarised below as follows:

- A continued review of the Corporate Strategic Risk into Fraud & Corruption. Plans continue to develop a Fraud Risk Register embedded within each service grouping.
- Virtual attendance at Durham Constabulary's Serious and Organised Crime Disruption Panel every two months.
- Virtual attendance at Durham Constabulary's Gold Command Group.
- Fraud Awareness is an ongoing action included within the Fraud Operational Plan to be delivered on an annual basis.
- Fraud awareness is incorporated into the induction process for new employees. Employees are directed to Counter Fraud pages and Policies on the intranet.
- As part of the annual review of the Recruitment and Selection Policy, a fraud declaration is included to act as a deterrent and employee data will be reviewed to match against Durham Constabulary's Organised Crime Group (OCG) data.
- Several warnings have been received from the National Anti-Fraud Network (NAFN) regarding a range of frauds and scams against Councils and schools. All warnings are communicated to the relevant service areas and publicity to warn our customers.
- Durham County Council (DCC) is a member of the CIPFA Counter Fraud Centre and the Northeast Fraud Forum (NEFF), receiving warnings of scams and alerts and good practice. Again, all warnings are communicated to the relevant service areas and publicity to warn our customers.
- The Corporate Fraud Team has signed up to receive Credit Industry Fraud Avoidance System (CIFAS) weekly alerts, with these alerts also communicated to the relevant service areas and publicity to warn our customers.
- The Corporate Fraud System records all scams and alerts, so intelligence searches can be made at any time.
- The Corporate Fraud Sanction Policy is publicised on the DCC website acting both as a deterrent and allowing us to pursue

fraudsters. This policy sets out what actions will be taken with fraud and the sanctions available to dispose of offenders. Since the creation of the Corporate Fraud Team, we have had 23 prosecutions and sanctioned 54 cases.

- A continued review of Durham County Council's website and intranet relating to fraud and the reporting methods has been completed, with further changes to the landing page: www.durham.gov.uk/fraud.
 - The Counter Fraud and Corruption Strategy and companion documents; the Fraud Response Plan, the Confidential Reporting Code and the Anti-Money Laundering Policy have all been reviewed and presented to Audit committee. A comprehensive communications and awareness plan to help launch the revised Strategy is planned for 2023.
 - The Confidential Reporting Code (Whistleblowing) is available on the DCC website for contractors, suppliers, and former employees, as well as publicity for current employees being included on the intranet. There have been 3 reports received between April to September 2022. Further awareness is planned as part of the Strategy launch next year.
 - Training, which includes counter fraud guidance, is included in the Governor Training Booklet. We can provide courses on request throughout the school year.
 - The Corporate Fraud System is maintained for all external and internal reported cases of fraud, which are then reported to Service areas and Audit Committee.
 - Fraud reporting has continued during 2022 with 449 reports made between April and September 2022. All the various fraud reporting channels have been utilised, showing the importance of maintaining these access channels and the need to keep reviewing new reporting methods.
- 12 The Counter Fraud Operational Plan 2022/23 was implemented and is monitored every month.
- 13 A programme for managers is included within the Corporate Training Programme and includes Fraud Awareness. Regular sessions are held which includes as many managers as possible to alert them to the risk of fraud as an organisation and in their respective service areas.
- 14 Since 2019 the Council have been committed to a joint counter fraud initiative with the Department of Works and Pensions (DWP) local fraud

investigators. The joint counter fraud initiative involves DWP local fraud teams, working together with council fraud teams, carrying out joint criminal fraud investigations of the Local Council Tax Reduction Scheme (LCTRS) and Social Security benefit fraud.

- 15 This initiative was paused during the pandemic due to the re-deployment of DWP investigation teams. We have recently re-established this joint working relationship and are once again working together on cases of mutual interest.
- 16 A progress review of this joint working will be reported to the Audit committee within the next annual report.
- 17 The fraud communication strategy and fraud campaign has progressed during 2022/23 and has recently been updated to include plans to launch and promote the new Counter Fraud and Corruption Strategy and International Fraud Awareness Week in November.
- 18 The Fraud Communication Strategy is a live document, with further internal and external communications being developed. The intention is to keep our awareness refreshed and ongoing, especially as 'fraud doesn't stop'.

Reported Cases of Potential Fraud and Irregularity

- 19 The Fraud Response Plan, which is companion to our main Counter Fraud and Corruption Strategy, requires that cases of attempted, suspected or proven corporate fraud or irregularity reported to service managers must be reported to the Chief Internal Auditor and Corporate Fraud Manager when they are identified or raised.
- 20 A register is maintained by the Chief Internal Auditor and Corporate Fraud Manager of all suspected cases of fraud reported, whether the matter is investigated by Corporate Fraud, Internal Audit or service management. The register is maintained on the Council's Corporate Fraud System and identifies all different types of fraud, both internal and external.
- 21 The maintenance of these records is essential to monitor the impact of fraud on, and within, the Council, as a measure of the effectiveness of the Counter Fraud and Corruption Strategy.
- 22 Cases are also monitored to identify any potential trends and/or potential weaknesses in the control environment that may require further action or attention.

- 23 A summary of the potential cases of internal corporate fraud reported each of the last five years is as follows:

Financial Year	Number of Cases
2016/17	58
2017/18	40
2018/19	30
2019/20	37
2020/21	23
2021/22	25
2022/23 April to September	11

- 24 As of 30 September 2022 referrals appear to be back to expected levels, having significantly decreased at the 6-month stage during 2021-2022. This may be due to people being back in the office environment more following the lifting of Covid restrictions but also be symptomatic of the risks that some ways of working during the pandemic created, especially around supervision.
- 25 Working from home for a prolonged period changed the landscape and potential for internal fraud and we continue to regularly review our internal fraud risks and the Council's internal control measures to ensure that they remain fit for purpose and take account of the increase in home working.
- 26 A summary of ongoing cases from previous years, and cases reported between 01 April 2022 and 30 September 2022, together with the outcomes from any subsequent investigation, are shown as Appendix 3.
- 27 As with all fraud investigations carried out, where weaknesses in control are identified, recommendations are made to minimise the risk of repeat cases. Where applicable, and where patterns emerge, this helps inform the Internal Audit Plan and potential proactive fraud work in the future.

- 28 A summary of the potential cases of external corporate fraud reported and investigated since 2015/16 when the Corporate Fraud Team was established is as follows:

Financial Year	Number of Referrals	Number of Cases Investigated	Actual Outcome Values	Notional Outcome Values
2015/16	804	744	£1,726,802	Not Recorded
2016/17	803	364	£793,331	Not Recorded
2017/18	1,041	659	£796,691	Not Recorded
2018/19	978	481	£1,344,290	Not Recorded
2019/20	1,156	721	£3,569,089	£64,888
2020/21	1,133	691	£3,372,722	£78,449
2021/22	995	572	£2,236,608	£60,825
2022/23 (April to September)	463	304	£963,957	£112,353
Totals	7,373	4,536	£14,803,490	£316,515

- 29 Not all of this relates to a direct impact on Council budgets.
- 30 During April to September 2022 the number of referrals appear to be increasing compared to the same point in 2021/22 and 2020/21. This could be explained by the return to the workplace for many of our service areas last year. It is expected that the reported figures will continue to increase for the remainder of 2022/23.
- 31 Strong partnership working has allowed the team to continue with our commercial relationships with local housing groups. During 2021/22 the team income was circa £90,000 which was an increase from previous years and allows for investment back into the service. Between April to September 2022 the team income was circa £40,000. This is around £15,000 below forecast but expected from our commercial partners due to the current financial climate and general reduction in new mortgage applications for potential 'right to buy' customers being the main contributing factor.
- 32 A review of all the existing partnerships and potential new and innovative opportunities to generate more income is currently underway.

- 33 During 2019/20 a notional value was measured and introduced within the team's performance indicators. These values calculate the preventative amount, that a fraud investigation has saved, that would have continued to be paid. The methodology and calculations that are used are from both a national report by the Cabinet Office and using our own methodology with costs for the Council.
- 34 A summary of the Corporate Fraud Team case load and values of fraud cases identified during April to September 2022, are shown as Appendix 2.

Proactive Counter Fraud Work

- 35 Across the year, several proactive counter fraud initiatives have been completed, including:
- The continuation of the Northeast Tenancy Fraud Forum (NETFF)
 - The continuation of the Northeast Regional Investigation Officers Group (NERIOG). The objectives and functions of the group are to review good practice information and guidance, promote awareness and understand fraud risks across the region, to develop joint working and data sharing to tackle these fraud risks, to coordinate regional projects, to review training requirements as a group and to develop a network of key contacts.
 - Further development of the Corporate Fraud System data warehousing software, which allows localised data matching and intelligence led investigations. New data sets have been progressed during 2021/22 with the internal hub now having 15 extracts, with over 1.2million records. Data analytics and proactive investigations are areas that the Corporate Fraud Team are keen to develop further
 - The partnership work with Durham Constabulary allows for data matching to be done against specific council datasets against police OCG data. The partnership has also allowed for direct access to Police intelligence systems to assist with the Corporate Fraud investigations.
 - The Police partnership continues to grow from strength to strength and other Local Authorities and forces have contacted us wanting to implement our approach. The Fighting Fraud and Corruption Locally group has included our partnership within the new national Strategy as best practice
 - The continuation of the Blue Badge Enforcement Group (BBEG), with the Corporate Fraud Team as chair. This group is attended

by Parking Services, Adult Health Services, and the Corporate Fraud Team to tackle misuse as a joined-up authority.

- Strategic Partnerships have been agreed with both Believe Housing Group and Livin Housing, for the Corporate Fraud Team to deliver Tenancy Fraud work for both organisations.
- Strategic Partnerships also continue with Karbon Homes and Bernicia Homes for the Corporate Fraud Team to deliver right to buy and right to acquire verification checks and any potential money laundering fraud.
- The Corporate Fraud Team continue to develop our Financial Investigation capability with one Investigator completing a Financial Intelligence Officer accreditation with the National Crime Agency working alongside our seconded Financial Investigator.
- This capability has given the Corporate Fraud Team other lines of enquiry and powers that previously was not available and has demonstrated the need of a Financial Investigator within the fraud team on a permanent basis.

Northeast Fraud Hub Pilot

- 36 The Corporate Fraud Team already has internal data warehousing software, making greater use of data and analytical software to prevent and detect fraudulent activity. It is our intention to continue with the existing arrangements and share this software externally with neighbouring authorities, to enhance opportunities for information sharing.
- 37 The Team seeks to actively progress a regional data hub, to share data and fraud intelligence to increase our capability to uncover potential and actual fraud. This holistic approach to tackling fraud and corruption will become an integral part of existing governance arrangements, policies, and procedures. It will provide a raft of measures and interventions designed collectively to deter and detect would be offenders.
- 38 We now have Cabinet Office approval and support to progress this Hub using Part 5 of the DEA, which provides for powers to share information to help reduce debt owed to the public sector and combat fraud against the public sector.
- 39 A DEA Business Case, Data Protection Impact Assessment (DPIA), Joint Controller Agreement and updated Privacy Statements have been completed. Privacy notices have also been publicised on DCC website reflecting that we share data for analysis and matching with other local authorities.

- 40 The Northeast Fraud Hub will involve three participating local authorities: The Borough Council of Gateshead (GMBC), The Council of the City of Newcastle upon Tyne (NCC) and DCC as the lead authority.
- 41 The Cabinet Office have acknowledged that it would be beneficial for as many local authorities to be part of the Hub, and the Cabinet Office have already suggested that if this pilot is successful then the concept could be used nationally as a model of best practice.
- 42 Data matching between the Councils will enable proactive exercises to identify fraud for example: multiple Council Tax Reduction claims, dual social housing tenancies, and multiple Business premises removing incorrectly claimed Small Business Rate Relief and fraudulently obtained COVID grants.
- 43 There has been a significant move within the Northeast region in the last 2 years to develop regional working, share best practice and improve ways of working. Whilst there are much closer ties across the region, there is currently no proactive cross-boundary data matching to target and identify cross-boundary fraud and corruption.
- 44 The councils will work together to assess and understand fraud risks, share knowledge, experience, and resources. We aim to make better use of the information collectively available to us and collaborate with the law enforcement agencies including the Northeast Regional Special Operations Unit, which is a collaboration between the three forces of Northumbria, Cleveland and Durham Police and creates additional specialist capacity through effective partnership working and collaboration to deliver an increased response to tackling serious and organised crime that transcends Force borders in the region.
- 45 Each data analytical report will be documented to show the data fields that will be matched and the intended benefits and outputs. Including this data monthly, will allow for data matching to be done more frequently, with the data being more 'real' time than other national data matching exercises.
- 46 Data Analytics will also enable the identification of regional risks. By analysing trends of fraud types, we will be able to prioritise work to focus on the fraud risks that are affecting us most as a region. Pooled resources, multi-agency investigations, and joint regional work (without the need for labour intensive individual DPA requests) will facilitate a more efficient and targeted approach to the highest risk fraud types.
- 47 The data analytics across the region should increase the detection of fraud and error and provide an improved understanding of fraud risk. It is anticipated that without the data share there will be a lower amount of

identified frauds and an increase in results when the data share is undertaken.

- 48 The duration of The Northeast Regional Fraud Hub will be for one year from commencement of the pilot. The pilot will officially commence when the first data set is shared using part 5 of the DEA provisions.

Fraud Reporting

- 49 The national CIPFA Counter Fraud and Corruption Tracker has not been collated during 2021/22 and therefore there is a gap in national fraud reporting. It is still not known whether any future national report will be progressed.
- 50 As part of the Fighting Fraud and Corruption Locally strategy, the comprehensive checklist has been reviewed, with a report to be complete during 2022/23. This report and any subsequent actions have been added to the Counter Fraud Operational Plan 2022/23. Any gaps will assist with our fraud response and continually professional development.
- 51 Fraud transparency data has continued to be reported on the website as part of the Local Government Transparency Code 2015.
- 52 The National Fraud Initiative (NFI) is the Cabinet Office's data matching exercise that runs every two years. Data from various Council systems was submitted in October 2022 and will be matched across systems and against data submitted by other organisations to identify potential fraud and / or error.
- 53 The main results of the NFI 2022/23 will be released between January and April 2023 and the Corporate Fraud Team together with internal audit and other service areas will investigate the results depending on the report types.

Fraud Training

- 54 A Durham Managers programme is included within the Corporate Training Programme and includes Fraud Awareness. Regular sessions are held to include as many managers as possible to alert them to the risk of fraud for both our organisation and in their respective service areas.
- 55 It has been agreed that all members of the Corporate Fraud Team will complete the new Accredited Counter Fraud Specialist qualification, showing the continued commitment within the Council to protect the public purse. Three members of the team are already qualified. Five members of the team are already Professional in Security accredited counter fraud specialists.

- 56 The Council was involved in the Local Authority Government Counter Fraud Profession Working Group, which reviewed and developed Local Authority fraud standards and a professional qualification.
- 57 The Fraud Manager has attended virtual conferences and seminars to assist with the team's continuing professional development.
- 58 A new Corporate Fraud Investigator apprentice was appointed in September 2021, to continue with our plan to 'grow our own' and build the team. They are studying the Level 4 Counter Fraud Investigator apprenticeship and the accredited counter fraud qualification via CIPFA
- 59 A Durham cohort has continued during 2021/22, with the Council championing the new Counter Fraud Investigator apprenticeship. Three members of the Corporate Fraud Team are currently approaching their final assessments and will be some of the countries 'first finishers'.
- 60 The Fraud Investigation Standard, as part of this apprenticeship, has been developed to provide a recognised and robust pathway for fraud investigators, that would allow for parity across sectors and comprehensive development of all knowledge, skills and behaviours associated with being an effective and competent investigation professional.

Background papers

- None.

Other useful documents

- None.

Author(s): Tracy Henderson

Tel: 03000 269668

Paul Gibbon

Tel: 03000 260776

Appendix 1: Implications

Legal Implications

Governance procedures in place, (particularly the Counter Fraud & Corruption Strategy, Contract Procedure Rules, Financial Procedure Rules, Codes of Conduct, and the Confidential Reporting Code), supported by a robust audit programme of counter fraud awareness measures and assurance reviews will assist the Council in complying with anti-corruption law, in particular the Bribery Act, and also serves to reduce the risk of reputation damage and financial loss by litigation.

Finance

Loss to the Council arising from fraudulent actions. The cost of the Corporate Fraud Team for 2021/22 is £277,847 and in 2021/22 the team recovered or intercepted over £2.5million of potential fraud. Between April to September 2022 the team has recovered or intercepted over £900,000. Since the set-up of the Team in June 2015 the team have recovered or intercepted over £14 million. Not all of this relates to a direct impact on Council budgets. Some of the work of the team is also not measured and therefore does not have a value that can be calculated.

Consultation

There has been no need for consultation to be undertaken because of this report.

Equality and Diversity / Public Sector Equality Duty

There are no equality and diversity / public sector equality duty implications as a result of this report.

Climate Change

There are no climate change implications because of this report.

Human Rights

There are no human rights implications because of this report.

Crime and Disorder

Fraud is a criminal offence as defined by the Fraud Act 2006.

Staffing

Potential for disciplinary action to be taken against known employees where fraud has been proven.

Accommodation

There are no accommodation implications because of this report.

Risk

The risk of fraud and corruption is recognised as a corporate strategic risk. An effective counter fraud strategy is a key control in helping to mitigate the risk.

Procurement

There are no procurement implications because of this report.

**Corporate Fraud Team Results
April – September 2022**

Fraud Type	Referrals Total	Referrals Accepted	Referrals Rejected	Investigations Closed	Frauds No.	Prosecutions No.	Outcomes		
							Sanctions No.	Value (£)	Notional Value (£)
Adult Care	0	0	0	0	0	0	0	0	0
Financial Assessment									
Blue Badge	22	18	4	18	3	0	0	4,002	4,002.2
Council Tax	26	14	12	85	46	0	0	20,501	6,755
CTRS	99	39	60	34	6	0	0	17,794	8,973
Data Breach	-	-	-	-	-	-	-	-	-
Direct Payments	2	2	0	-	-	0	0		0
Employee	11	10	1	3	1	0	0		0
Funding /Grant	7	7	0	11	8	0	0	20,269	0
Housing Benefit	5	0	5	0	0	0	0	13,194	4,633
Insurance	5	5	0	5	0	0	0	-	0
Irregularity	1	1	0					-	0
NNDR	14	5	9	2	0	0	0		0
Procurement	-	-	-	1	0	0	0	489	0
Right to Buy	95	95	0	94	24			621,319	0
Schools	2	2	0	1	1	0	0		0
SPD	96	65	31					41,213	0
Tenancy	48	41	7	48	4	0	0	225,176	87,990
External	16	0	16	0	0	0	0	0	0
Totals	463	304	145	302	93	0	0	963,957	112,353

Notes:

Employee/Irregularity cases don't always have values – we are only recording financial monetary values at present i.e. theft.

Employee/Irregularity cases also includes non-Corporate Fraud Team cases.

External referrals are cases that are not for the Corporate Fraud Team and referred onto the Police, DWP, HMRC etc.

Notional value is an estimated measure for the preventative amount saved.